

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency
Central Valley Auditorium
1001 I Street
Sacramento, California
August 22, 2002

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Aram Hodess
Vice Chair

Barry Broad
Member

Joan Dean
Member

Tyrone Freeman
Member

Robert Lennox
Member

Tom Rankin
Member

Executive Staff

Peter McNamee
Executive Director

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Ms. Kwalwasser, Chairperson, called the public Panel meeting to order at 9:00 a.m.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Chair

Barry Broad (Arrived at 10:00 a.m.)

Joan Dean

Tyrone Freeman (Arrived 9:20 a.m.)

Robert Lennox

Tom Rankin (Arrived immediately after roll call; left at 11:00 a.m.)

Members Absent

Aram Hodess

Executive Staff Present

Peter McNamee, Executive Director

Ada Carrillo, Acting Assistant Director

Peter DeMauro, General Counsel

III. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

There were no reports.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Budget Status Update

Mr. McNamee reported that the State budget for this fiscal year still has not been enacted. He stated that the Panel will continue to review and approve projects, however, there will be no payments made until the budget has been adopted.

Mr. McNamee stated that ETP has been subject to a hiring freeze since October 2001 in accordance with an Executive Order of the Governor. He stated as of the end of the last fiscal year (FY), ETP had a vacancy rate of approximately 12 percent. He stated that justification has been sent to the Department of Finance (DOF) for the continuance of those positions in ETP's budget. The vacancies present staff workload problems in the development of projects, monitoring, timely payments, and audits.

Mr. McNamee reported the DOF has requested all State agencies to develop a justification and impact assessment in connection with a 20 percent reduction funding. The budget letter was directed toward general fund reductions and "some FY 2003/04 budget. He stated ETP has requested a clarification from DOF as to whether or not the ETP training fund meets the criteria of "special

Ms. Kwalwasser asked if the freeze affects contracting with outside consultants related to ETP business, such as an outside consultant for SOST research. Mr. DeMauro stated that in every contract ETP enters payment is contingent upon money being available.

Mr. McNamee reported a number of marketing contracts are near completion. Staff are developing a new contracting process that will be RFP (Request For Proposal)-based, which will eliminate the sole source contracts and make the contracting process competitive. Included will be incentives reflecting the marketing contract objectives established by the Panel in the Strategic Plan.

Mr. McNamee reported on the year to date distribution of approved contracts in targeted areas. Contracts total \$21,031,093 for the following industries: \$11,940,958 – manufacturing; \$4,142,261 – non-high tech services; \$2,081,936 – high tech services; \$1,796,560 – trade, agriculture, and construction; \$1,070,218 – finance/insurance. The ETP Strategic Plan Funding Objectives targeted, year to date, \$15 million for manufacturing/high tech, and \$14 million has been encumbered; \$2 million for training unemployed workers, and \$2.2 million has been encumbered; \$2.1 million for SET projects, and \$.8 million has been encumbered; and \$1.25 million for high unemployment areas, and \$.9 million has been encumbered.

V. APPROVAL OF PROJECTS FOR LESS THAN \$100,000

ACTION: Mr. Lennox moved and Ms. Dean seconded the Panel approve delegating to the Executive Director the authority to approve projects that are less than \$100,000. The following projects were approved:
Trespa North America, Ltd.
Babcock, Incorporated

Mars Sales Company, Incorporated
Flextronics International USA, Inc. (Amendment) - Withdrawn
TM Microscopes Corporation
Aero Union Corporation
Environment Control Fresno (High Unemployment Area/SET)

Motion carried, 5 – 0 (Mr. Broad absent).

VI. REPORT OF THE GENERAL COUNSEL

The General Counsel had no report.

VII. APPROVAL OF AGENDA

ACTION: Ms. Dean moved and Mr. Freeman seconded the Panel approve the Agenda.

Motion carried, 5 – 0 (Mr. Broad absent).

VIII. APPROVAL OF MINUTES

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel approve the Minutes of July 25, 2002.

Motion carried, 5 – 0 (Mr. Broad absent).

IX. AGREEMENTS AND AMENDMENTS

Southeast Los Angeles County Workforce Investment Board

Dolores Kendrick, of ETP's North Hollywood field office, presented a One-Step Agreement for Southeast Los Angeles County Workforce Investment Board (Selaco WIB) in the amount of \$2,208,940 to retrain 2,380 employees from small to medium size businesses located in Southern California. This is the sixth project between the Selaco WIB and ETP. The Selaco WIB is a nonprofit organization that provides services to approximately 3,500 individuals each year. The Selaco WIB has developed a three-year strategic plan that focuses on workforce issues, business retention, and expansion. The proposed curriculum is based on feedback from employers participating in the last five ETP Agreements.

Ms. Kendrick introduced Ron Crossley, Executive Director; Larry Lee, Business & Training Services Coordinator; and Kevin Kucera, Organizer/Business Representative with Machinists Automotive Trades, District Lodge No. 190.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Broad absent).

Worldwide Educational Services, Incorporated (SET)

Charles Rufo, manager of ETP's Sacramento field office, presented a One-Step Agreement for Worldwide Educational Services of California, Inc. (WES), in the amount of \$615,610 to retrain 128 new hires. This training program will target three industry groups: medical, financial product services, and telecommunications. For Jobs #6-10, #13, and #14, WES is requesting a waiver of the ETP minimum wage requirement from \$9.12 to \$8.50 per hour for a maximum of 18 trainees who have multiple barriers to employment and are located in high unemployment areas within California. The proposed ETP Agreement includes training for Broadband/Cable Installer/Satellite Installer, Medical Assistant, and Bookkeeper, which are apprenticeable occupations. However, staff determined that there are no existing apprenticeship programs in the regions that WES will be servicing for these occupations.

Mr. Rufo introduced Neil Barth, President of WES. Mr. Rankin had concerns regarding the cost per trainee of \$4,809 and low wages. Ms. Barth stated the low wage range includes the 18 workers who have either multiple barriers, or are in enterprise zones, high unemployment areas, or federally declared disaster areas. Mr. Rankin asked if the contractor would consider a longer retention period. Ms. Barth stated an alternate approach would be to increase wages over a 12-month period. The hourly wage increase was clarified as being 5 percent above \$8.50 within 12 months after completion of training for the 18 employees that are placed at the \$8.50 per hour level.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the One-Step Agreement with wage waiver for 18 trainees in high unemployment areas who have multiple barriers, and an hourly wage increase of 5 percent above \$8.50 at the end of a 12 month period for the 18 trainees.

Motion carried, 5 – 0 (Mr. Broad absent).

Microsemi Corporation

Diana Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Microsemi Corporation in the amount of \$322,530 to retrain 345

workers. Microsemi determined that it had to change the Company culture from one that used undocumented methodologies and decision making to a company that makes data-based decisions and focuses on continuous improvement. Given the high cost of doing business in California, and increased competition, the Company realized that it had to transition itself into an organization which is statistically under control, makes data-based decisions, and continuously improves its quality, on-time delivery, and cost reductions. As a result of the Company's identified needs, Microsemi determined that high performance workplace training, including an Enterprise Resource Program system training and Statistical Process Control training, are critical components of the Company's efforts to adapt to a high performance workplace. The initial training plan included 40 hours of Structured On Site Training which has been eliminated from the ETP-funded training and which the Contractor will provide at its own expense. The total employer in-kind contribution is projected at \$475,660, which includes \$155,000 for training costs not covered by ETP funds and \$320,660 to be paid to trainees during training.

Ms. Torres introduced Charles Graham, Manager of Wafer Fabrication.

ACTION: Mr. Lennox moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Broad absent).

R.E.M. Concepts, Incorporated, d.b.a. ABC Window Company (Amendment)

Ms. Torres presented an Amendment for R.E.M. Concepts, Inc., d.b.a. ABC Window Company for an additional amount of \$18,720. The employer's in-kind contribution increased by \$20,595. The contractor requests funding for an additional 48 hours of class/lab training in Computer Skills for Jobs 1 and 2.

No representatives were asked to be present at the Panel meeting.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the Amendment.

Motion carried, 5 – 0 (Mr. Broad absent).

Setco, Incorporated

Ms. Torres presented a One-Step Agreement for Setco, Inc., in the amount of \$119,938. The Company specializes in the manufacture of a wide range of plastic bottles. These products are designed primarily for the spice, food, pharmaceutical, household cleaning, and personal care industries. Major consolidations in the plastics manufacturing industry, coupled with the rising price of plastic, have made this industry more competitive. To maintain its market share, Setco must be able to manufacture high quality products at a cost lower than that of its competitors. To

meet this challenge, the Company must transition to a high performance workplace and the goal of achieving world-class manufacturing status. The Company plans to train 135 frontline workers and 24 supervisors/managers in continuous improvement, business skills, new manufacturing processes, computer technology, and literacy skills. The Company will provide SOST at its own expense. Setco's in-kind contribution is \$177,242 in trainee wages paid during training, and \$8,972 for training related costs not covered by ETP funding.

Ms. Torres introduced Upendra Mehta, Director of Quality Assurance, and Martha Melendrez, Human Resources Manager.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Broad absent).

Ceilings Plus, A Joint Venture

Ms. Kendrick presented a One-Step Agreement for Ceilings Plus, A Joint Venture, in the amount of \$142,640 to retrain 76 workers. Ceilings Plus manufactures specialty architectural products with a focus on curve formed metal panels for finished ceiling construction. The Company has invested over \$3 million in new equipment within the past two years and formidable sales gains have resulted, but the Company's new margins have faced shrinkage as initial technological edges have diminished. The Company is experiencing stress points in job costs, waste, and rework. In order to sustain revenue growth and maintain margins, Ceilings Plus must train its employees in high performance workplace skills. Ceilings Plus stated that there are nine employees who do not meet the ETP minimum wage requirement who will be removed from the ETP funded program, and will be trained at Contractor's expense.

Ms. Kendrick introduced Nancy Mercolino, President. Mr. Rankin questioned the classification of the nine employees who do not meet the ETP minimum wage requirement. Ms. Mercolino replied they are in the shop/production/assembly classification.

ACTION: Mr. Lennox moved and Mr. Freeman seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Broad absent).

Infonet Services Corporation

Ms. Kendrick presented a One-Step Agreement for Infonet Services Corporation in the amount of \$564,895 to retrain 449 employees. Infonet is a provider of cross-border managed data communications services for nearly 3,000 enterprises

worldwide. Infonet helps its customers by enabling computers to communicate with each other throughout the world. The deregulation of the telecommunications industry in the late 1990's promoted the birth of numerous carriers. To remain competitive, Infonet must convert to a high performance workplace to increase efficiency and customer satisfaction. It has already invested \$6 million in a new Customer Relations Management System, which is a major component of this proposal.

Ms. Kendrick introduced Sandra Savaiano, Vice President, and Sharon Cochran, Training Director.

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

Saint-Gobain Semiconductor Equipment, Incorporated

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Saint-Gobain Semiconductor Equipment, Inc., in the amount of \$489,424 to train 300 employees in its new semiconductor division. The lack of training in team development, manufacturing processes, and management techniques has resulted in inconsistent production of products, wasted materials, and rework, resulting in difficulties in meeting customer expectations for on-time delivery of products. Through Company assessments, Saint-Gobain has determined that in order to it to meet customers' requirements and in order to ensure continued growth in revenues and market shares, the Company must make the transition to a high performance workplace.

Mr. Chan stated Saint-Gobain's turnover rate for 2001 calendar year was 66 percent, which was an anomaly and Saint-Gobain is requesting a waiver to ETP's turnover rate regulation. The Company states that it experienced a reduction in workforce that year due to a major decline in the semiconductor industry. The Company was forced to cut its workforce from 800 employees to 250. In the preceding two years, Saint-Gobain reports a turnover rate of 10 percent. The Company has agreed to forfeit collecting 25 percent of the total Agreement amount upon closeout of this project if the turnover rate is higher than 20 percent during the final 12 months of the Agreement.

Mr. Chan introduced David Schuitema, Director of Human Resources, and William Parker, President of National Training Systems Inc.

ACTION: Ms. Dean moved and Mr. Rankin seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

Spectra Laboratories, Incorporated

Mr. Chan presented a One-Step Agreement for Spectra Laboratories, Inc., in the amount of \$167,906 to retrain 245 employees. Spectra Laboratories is a national clinical laboratory specializing in testing of blood, urine, microbiology and water. The Company offers a wide range of data, diagnostic, and disease management services to dialysis centers, physicians' offices, medical clinics, and hospitals nationwide. Spectra Laboratories employs 260 Californians on a full-time basis at its state-of-the-art facility located in Fremont, California. This laboratory faces increased competition from out-of-state competitors, greater demand for its services, rapidly accelerating technology, advances in computer, telecommunications, and robotics, as well as more complex processes. To meet these challenges, Spectra Laboratories must become a high performance workplace. This requires an extensive retraining effort across the entire workforce. This proposal originally contained an SOST component. The Company has agreed to remove the SOST hours pending the outcome of the Panel's future SOST policy decision, and would like the opportunity to amend its Agreement to include SOST hours consistent with such policy. Without the requested SOST hours, trainees in Job 1 will receive 28 class/lab hours, which does not meet the total minimum training hours requirement of 40 hours. Staff requests that the Panel allow training that varies from the 40-hour minimum.

Mr. Chan introduced Lori Mathez, Training Manager, Human Resources, and James Pearce, Director of Laboratory Operations. Ms. Kwalwasser questioned the "Balanced Scorecard" approach. Ms. Mathez explained that it is a management and measurement technique. She stated it is a process of measuring performance.

ACTION: Mr. Lennox moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Rankin absent during vote).

Nationwide Credit, Incorporated (High Unemployment Area)

Mr. Kwalwasser stated that the Nationwide Credit, Incorporated, project has been withdrawn from consideration at this month's Panel meeting.

Vision Service Plan

Mr. Rufo presented a One-Step Agreement for Vision Service Plan (VSP) in the amount of \$1,554,527 to retrain 1,896 employees. VSP has grown to become one of the leading eye care benefits providers in the United States with approximately 35 million customers. VST is making significant investments in its sales group in order to capture market share from its competitors. In order to compete, the Company must provide extensive coverage and be customized to meet the clients'

needs. VSP will pay all trainees' wages and benefits while in training at an estimated cost of \$2,095,047.

Mr. Rufo introduced Kim Ainsley, Training Manager, Gail Allen, Human Resources Analyst, and Linda Balabanian with Deloitte & Touche.

ACTION: Mr. Lennox moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

X. STRUCTURED-ON-SITE TRAINING (SOST)

Mr. McNamee recognized ETP staff for their efforts in addressing SOST issues. He stated in May 2002, California State University, Northridge (CSUN) outlined initial findings of its recent study on SOST. In June, it presented a more detailed look at possible approaches to improving ETP-funded SOST. In July, the Panel received the final CSUN report. At the July Panel meeting, staff was instructed to review the report and recommendations and propose policy changes for Panel consideration. Staff has sought public comment on the CSUN study via the Panel's Internet Web Site.

Mr. McNamee reported that the CSUN research found that (1) too often SOST funds reimburse normal supervision activities, (2) companies often use unstructured coaching, mentoring, and trouble-shooting instead of true SOST, (3) contract administrators often focus on billing trainer hours rather than trainees achieving competencies, (4) accurate monitoring of SOST is difficult, (5) SOST reimbursement is often unrelated to actual costs, and (6) "SOST only" projects pay above market prices for one-on-one counseling and generic classroom training. The study supported other published research indicating that SOST adds substantial value to training. SOST provided after the delivery of class/lab training provided an effective means of learning job-specific skills and customizing training to meet employer needs.

Mr. McNamee stated the use of funds for SOST is a serious problem for the Panel in view of the current State budget situation. Given the scope of the issues and the current opportunity to make significant changes to SOST, it is critical that staff carefully review all of the impacts of any SOST solution in order to recommend the best alternative for Panel consideration. He said that in order to be consistent with ETP's strategic plan goal of working with partners and customers, it is recommended that the Panel hold workshops with customers and stakeholders to obtain feedback on SOST prior to making a final determination on the funding of SOST. In order to facilitate this review process, it is recommended that the Panel impose a six-month moratorium on the funding of SOST.

Mr. McNamee stated that based on staff's review of CSUN's findings, staff recommends that the Panel take the following actions:

1. Impose a six-month moratorium on the funding of SOST.
2. Conduct two formal work sessions in the northern and southern parts of the State, with scheduled meetings to be held the Friday after the monthly Panel meeting to obtain critical input from ETP customers and stakeholders.
3. Direct ETP staff in consultation with ETP stakeholders to develop an alternative SOST model that meets criteria for being structured, that can be effectively monitored, and that is administratively achievable given current budget constraints.
4. Invite Dr. Richard Moore from CSUN to facilitate SOST hearings and evaluate the alternative SOST model and policy recommendations to be presented for Panel consideration at the end of the moratorium.
5. Staff to report back to the Panel on SOST recommendation on February 27, 2002.

Mr. DeMauro voiced a concern regarding constituency participation. He encouraged widespread input in order to assist staff and the Panel in the development of policies and procedures that will meet a broad spectrum of needs.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve staff's recommendations 1 – 5.

Motion carried, 6 – 0.

XI. PUBLIC COMMENT

Steve Duscha, Alliance for ETP, stated that the Alliance supports the staff's recommendations. He stated there are many uses for SOST and it is important to consider the values of proper SOST. Mr. Duscha read from a 1995 study presented by the Bureau of Labor Statistics regarding what employers actually do in the name of training. The report showed that an average worker in the United States spends about 1.3 percent of his working time (approximately 30 minutes a week) in formal training (class/lab and SOST) and .3 percent of his working time in informal/unstructured training (learning from a co-worker). He stated the statistics showed that most employers with 50 or fewer employees do not train at all. Companies with good fringe benefits and employee practices, such as TQM, teams, continuous improvement groups, etc., train more.

Mr. Broad stated the importance of all types of training and SOST is important as a means of reinforcing what was learned in the classroom. The question is not whether or not SOST is important training but rather whether it works within the ETP program and whether it should be ETP-funded. Mr. Broad also encouraged participation and input in order to produce a quality work product.

XII. SMALL BUSINESS REPORT

William Rash, ETP Section Chief, presented the findings and recommendations of the Small Business Work Group. The purpose of the Small Business Pilot Project (SBPP) is to test a new and expedited application and development process designed to allow a greater number of small businesses that may not otherwise have been able to compete in the current project development process to participate in ETP-funded training. The Small Business Work Group found that the Panel approves training projects for approximately one in three small businesses with 100 or fewer employees and only one in four small businesses with fewer than 50 employees. Less than 3 percent of ETP's total funds are directly contracted with small businesses with 100 or fewer employees, and less than 1 percent goes to small businesses with fewer than 50 employees. It appears the Panel's 40-hour minimum training requirement is more training than many small businesses require.

The Small Business Workgroup proposes to target up to \$500,000 in fiscal year 2002-03 for the purpose of contracting directly with 36 small businesses with 100 or fewer employees. It is the intent of the SBPP to double the number of small businesses that successfully enter into contracts with the Panel. The pilot should increase the Panel's contract ratio for small employers from one in three to approximately six contracts of ten. In conjunction with this proposal, the Small Business Work Group is recommending that the Panel approve a proposed regulation to allow small business owners to participate in training under the SBPP.

Mr. Broad questioned the proposed regulation limitation on participation. He asked what prevents an employer from being the only one to receive training. Mr. DeMauro stated that language could be added to the regulation stating that participation in the training program cannot be limited to the owner.

Mr. Rash stated that staff would provide the Panel with quarterly assessments on the status of the pilot project and monthly summaries of the projects being approved. At the conclusion of the pilot project, which begins August 30, 2002, and ends August 30, 2003, ETP will ask a third party to perform an independent evaluation of the pilot project and report the findings to the Panel by November 30, 2003.

ACTION: Mr. Broad moved that the Panel approve the regulation as an emergency regulation with the addition that the regulation be limited to the pilot program and that at least one employee will participate along with the owner of the business. Mr. Lennox seconded.

Motion carried, 5 – 0 (Mr. Rankin absent).

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the pilot program as proposed.

Motion carried, 5 – 0 (Mr. Rankin absent).

Mr. Broad stated his appreciation of all the work performed by the ETP's members and staff.

XIII. PUBLIC COMMENT

There were no members of the public who wished to comment.

XIV. EXECUTIVE SESSION

There was no Executive Session at this month's Panel meeting.

XV. ADJOURN

There being no further business and no objection, the meeting was adjourned at 11:45 a.m.